

# THE 10 BASIC TENETS OF GAAP



These 10 general principles can help you remember the main mission and direction of the GAAP system.

by BOSSED Financial



## 1 PRINCIPLE OF REGULARITY

The professional has adhered to GAAP rules and regulations as a standard.

## 2 PRINCIPLE OF CONSISTENCY

Professionals commit to applying the same standards throughout the reporting process to prevent errors or discrepancies. Professionals are expected to fully disclose and explain the reasons behind any changed or updated standards.



## 3 PRINCIPLE OF SINCERITY

The professional strives to provide an accurate depiction of a company's financial situation.



## 4 PRINCIPLE OF PERMANENCE OF METHODS

The procedures used in financial reporting should be consistent.

## 5 PRINCIPLE OF NON-COMPENSATION

Both negatives and positives should be fully reported with transparency and without the expectation of debt compensation.



## 6 PRINCIPLE OF PRUDENCE

Emphasizing fact-based financial data representation that is not clouded by speculation.



## 7 PRINCIPLE OF CONTINUITY

While valuing assets, it should be assumed the business will continue to operate.



## 8 PRINCIPLE OF PERIODICITY

Entries should be distributed across the appropriate periods of time. For example, revenue should be divided by its relevant periods.



## 9 PRINCIPLE OF MATERIALITY / GOOD FAITH

Professionals must strive for full disclosure in financial reports.



## 10 PRINCIPLE OF UTMOST GOOD FAITH

Derived from the Latin phrase "uberrimae fidei" used within the insurance industry. It presupposes that parties remain honest in transactions.

